



UC Irvine

BUDGET & FINANCIAL OVERVIEW

Fiscal Year 2024-25 (FY25)

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December 11, 2024

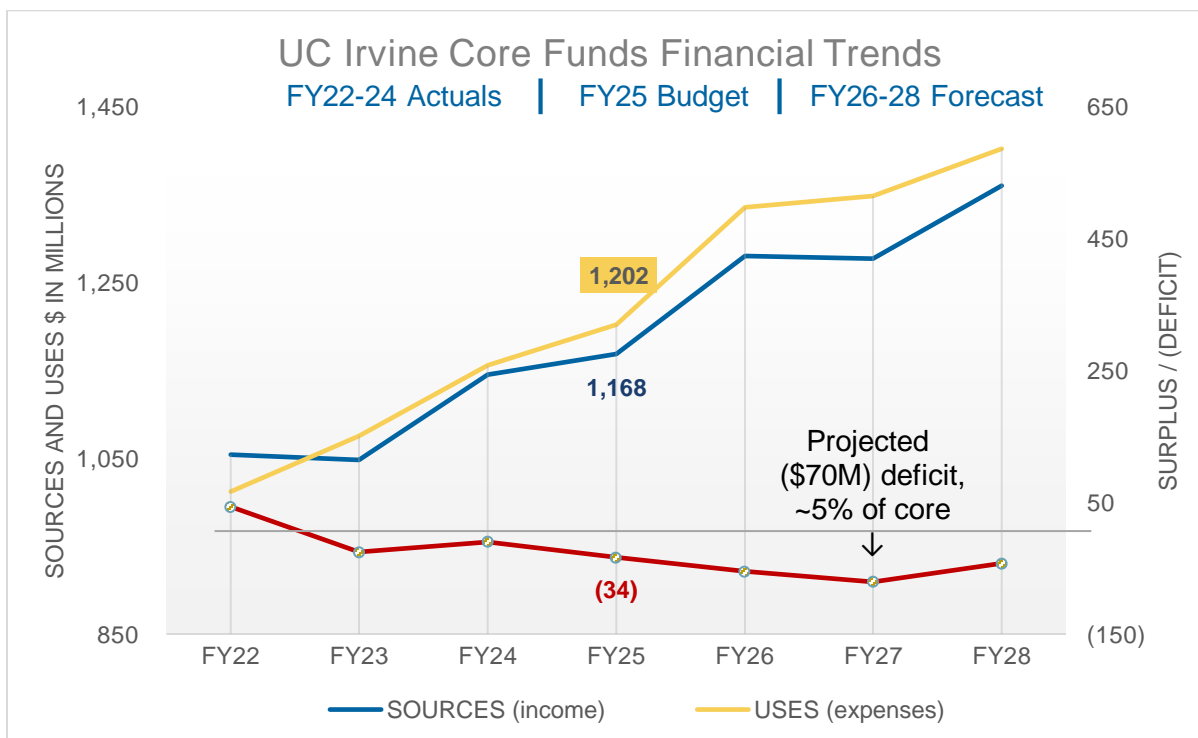
UC Irvine Budget Overview Document

Table of Contents

Section	Page
Executive Summary & FY25 Core Funds Financial Trends Chart	2
1. Introduction	3
2. Budget Overview	3
2.1. Chart: Total Operating Budget - Sources (Income and Appropriations)	3
2.2. Table: FY25 All Funds Operating Budget for the General Campus	4
3. Core Funding and Related Challenges.....	4
3.1. Chart: Core Funds Operating Budget – Sources	5
3.2. Chart: Core Revenue (Source) Trends	6
3.3. Chart: Core Operating Expense (Use) Trends	7
4. Areas of Financial Strength	7
5. Budget Model/Framework in 2024-2025 and Beyond	8
6. Core Financial Forecast and Financial Stability Plan Update	9
6.1. Chart: UC Irvine Core Funds Financial Trends.....	10
6.2. Chart: Stability Plan Progress	11
7. FY25 Budget Detail by Organization Groups.....	12
7.1. Table: FY25 by Organization Groups - Approved Sources & Unit Estimates of Uses	13
8. Conclusion.....	13

Executive Summary

The UC Irvine operating budget for the 2024-25 fiscal year (FY25) is \$6.7 billion, of which about half is associated with UCI Health patient services, one third is associated with other non-core activities (i.e., auxiliary units like housing and parking, contracts and grants, self-supporting degrees, and health-related funds that support the campus), and the remaining are core funds. The core funds operating budget is \$1.2 billion. Core sources are expected to fall short of this amount. The estimated core deficit for FY25 is \$34M. The chart below depicts the core operating budget financial trends for sources (income) and uses (expenses) over the past few years, the budget for 2024-25, and projections based on the assumptions detailed in section 7.



Source: Campus Multi-Year Forecast

The structural deficit is a result of core funding sources growing at 1-4%, while expenses have been growing at 5-8% for several years. The gap is closing as we approach full implementation of the UC tuition stability plan (cohort-based rates) in FY26. However, new and continuing challenges persist, such as:

- an anticipated state budget cut for 2025-26 and continued uncertainties about state revenues, including possible deferred funding committed in the compact.
- salary plan and bargaining contract commitments that exceed revenue growth.
- benefits cost increases reflecting annual increases in the employer contribution to the UC retirement plan by 0.5% (from 14% to 14.5% in FY25) and health costs that reflect nationwide trends of 6-10% growth.

UC Irvine is actively managing resources to achieve a stable budget environment with a multi-year financial stability plan, strategic use of reserves, and the implementation of a new budget model, planning structure, and increased transparency in financial planning.

1 Introduction

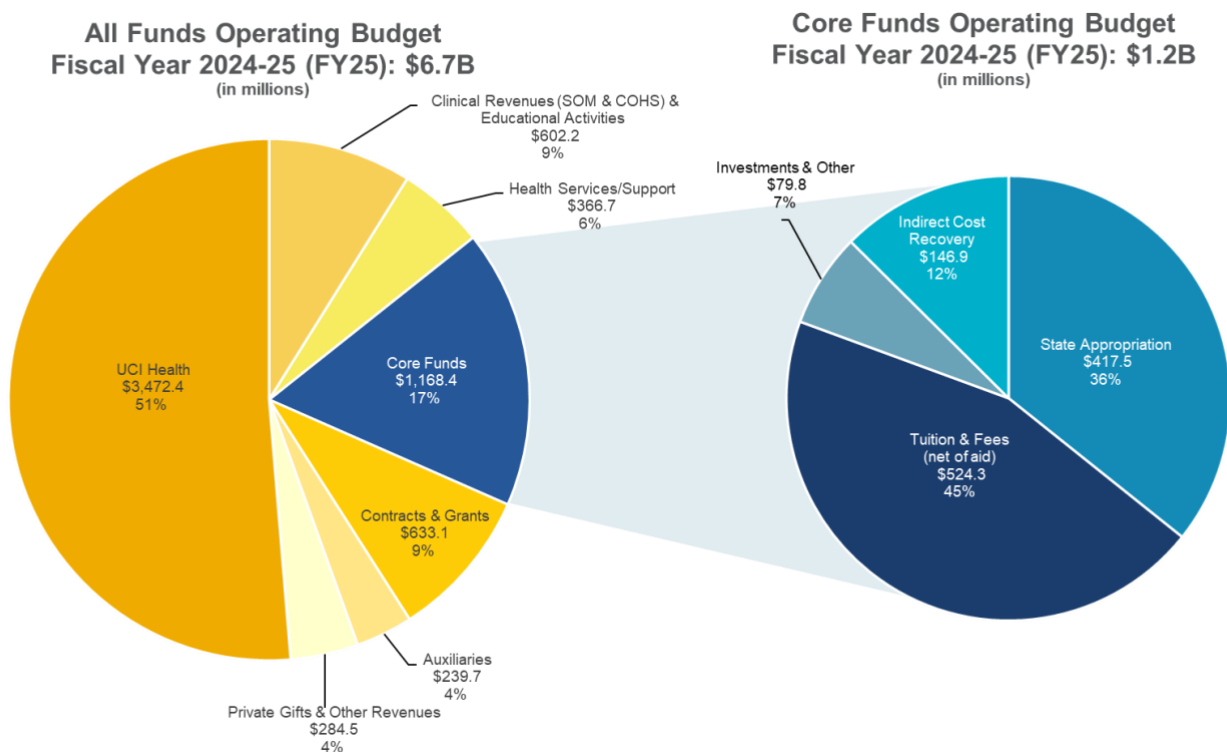
This document provides an overview of UC Irvine’s operating budget for fiscal year 2024-25. The year represents a shift for the campus, as it begins the phased implementation of a new budget model over three years to facilitate a balanced budget via a multi-year financial stability plan.

The annual budget process is an important opportunity to support the missions of teaching, research, and service by reviewing fiscal health, identifying available revenues and growth opportunities, addressing challenges, and aligning resources to achieve strategic goals.

2 Budget Overview

The total operating budget for UC Irvine is \$6.7 billion in fiscal year 2024-25.

2.1 Chart: Total Operating Budget - Sources (Income and Appropriations)



Of this, the **core funds operating budget for the general campus is \$1.2 billion**, which is the focus for the remainder of this document and is depicted by the blue pie chart above. The core funds and general campus budget representations shown below exclude UCI Health patient care activities but includes the academic activities of the College of Health Sciences (Schools of Medicine, Nursing, Pharmacy & Pharmaceutical Sciences, and Population & Public Health). A more detailed version of the budget plan showing projected sources and projected uses for Core and Non-Core funds is outlined below.

2.2 Table: FY25 All Funds Operating Budget for the General Campus

UC IRVINE ALL FUNDS BUDGET PLAN FOR FISCAL YEAR 2024-25 (FY25) (excludes Medical Center)			Approved Budget Plan
			FY25
CORE¹			
CORE CAMPUS SUPPORT			
Sources		INCOME	1,027,107,173
		RECHARGES AND TRANSFERS ²	141,279,375
Total Sources			1,168,386,548
Uses	Salaries & Benefits	SALARIES	689,774,327
		BENEFITS	279,316,248
		Subtotal Salaries & Benefits	969,090,575
		Effective benefit rate	40.49%
	Other Operating Expenses ³	Subtotal Other Operating Expenses	261,171,525
Total Uses			1,230,262,100
Net Core Surplus/(Deficit)			(61,875,552)
NON-CORE^{4 & 5}			
Non-Core Sources			2,126,188,369
Non-Core Uses			2,103,050,718
Non-Core Net Surplus/(Deficit)			23,137,651
ALL FUNDS (CORE + NON-CORE)			
Total Sources			3,294,574,917
Total Uses			3,333,312,818
All Funds Net Surplus/(Deficit)			(38,737,902)

¹ Core fund sources include: state appropriation, tuition, non-resident tuition, student services fee, professional degree supplemental tuition, summer session, lottery, indirect cost recovery, and other unrestricted sources like investments & ground lease.

² Recharges and transfers include inter-departmental services and transfers between UCs. Transfers out in FY25 are unusually high due to a balloon payment on the campus COVID working capital loan, as well capital projects using one-time investment income.

³ Other operating expenditures include: general expenses (e.g. services, fees, consultants), equipment, student financial aid, supplies, travel, subawards, and overhead.

⁴ Non-Core funds include: auxiliaries, student fees not included in core (e.g. self-supporting degree programs, course materials, campus-based fees), gifts and endowment income, grants and contracts, and sales & service activities.

⁵ Non-Core funds shown above do not include non current (non-operating) funds such as plant and UC central bank financing entries.

Source: FY25 Approved Core Funds Budget

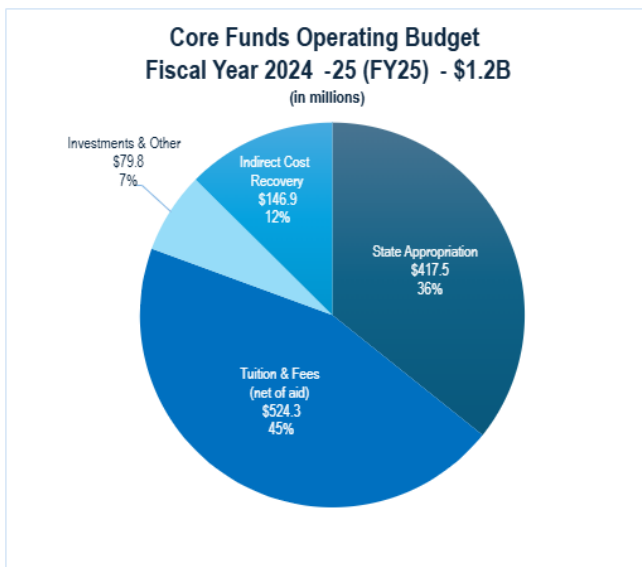
3 Core Funding and Related Challenges

UC Irvine continues to experience fiscal challenges in the core operating funds budget. At \$1.2 billion, core funds comprise 17% of the total budget for fiscal year 2024-25. Core funds are a critical source directly tied to the core missions of instruction, research, and service. Based on financial trends over time, traditional core fund sources are a smaller percentage of the resources supporting activities across the UC Irvine enterprise. This is in part due to the growth

in UCI Health and other non-core sources like grants and contracts. It is also attributable to the funding dynamics that have created a core funds structural deficit – that growth in core fund expenses is consistently outpacing growth in core sources.

Sources. Approximately 80% of core funds come from the state appropriation, tuition, non-resident supplemental tuition (NRST), student services fee (SSF), professional degree supplemental tuition (PDST), and summer session fees. Decisions related to these sources are determined by or in consultation with the Board of Regents, UCOP, or the State of California, which means that UC Irvine has limited control and cannot adjust unilaterally (i.e., tuition rates, enrollment targets, level of and distribution of state funding).

3.1 Chart: Core Funds Operating Budget - Sources



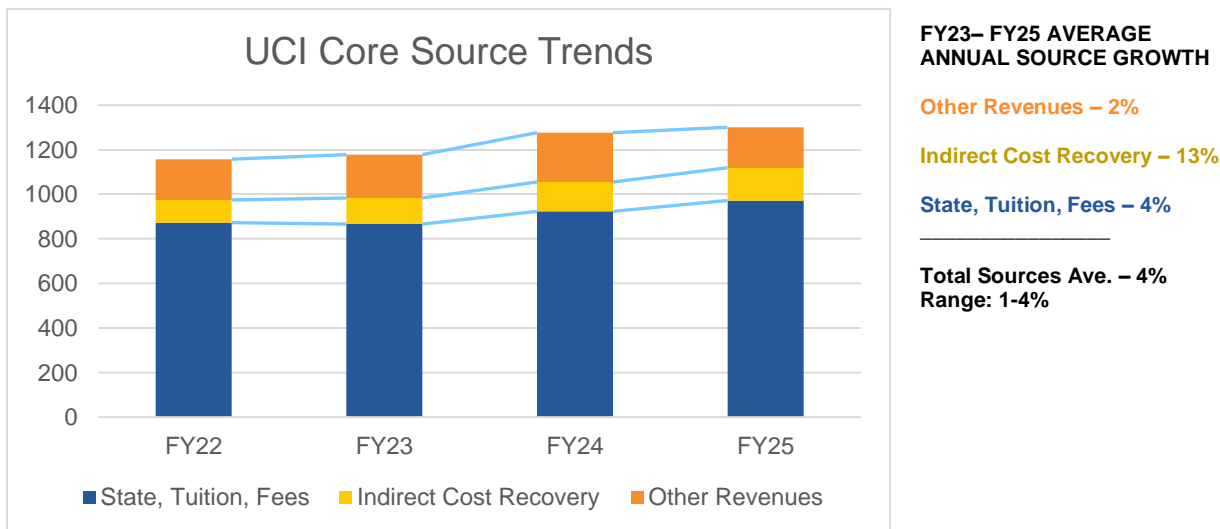
Source: FY25 Approved Core Funds Budget

The remaining core funds include sources like indirect cost recovery from grants and self-supported activities, investment earnings from unrestricted campus fund balances, ground lease revenues, and other unrestricted sources that can be used to support the campus mission. These are increasingly important components of the core operating budget, now accounting for almost 20%. Note that these sources differ from the sources listed above in that they can vary from year to year in ways that cannot always be predicted. For example, investment income is dependent on the annual rate of return in different investment vehicles. To manage this risk, only recurring levels of investment income are included in the campus base budget. Variable investment income above the recurring level is targeted to one-time strategic investments and infrastructure support needs like deferred maintenance, which in our prior budget model did not have a dedicated source of funds.

Of the core fund sources outlined here, one source that has kept pace or exceeded inflation has been indirect cost recovery (ICR) from grants and contracts, which grew 15% each year for the past two years. This accomplishment reflects years of intentional investments in faculty, infrastructure, pre- and post-award administration, and incentive programs that have resulted in clear progress toward the strategic goal of increasing the impact of UCI research. The resulting growth in indirect cost recovery resources helps to cover existing costs for administration, maintenance, utilities, and other research-related costs that cannot be charged directly to grants. Continued growth at a steady pace is essential to achieving a sustainable financial model for the campus.

Below is a chart outlining the financial trends for sources supporting UCI’s core operating budget. The growth in these sources in recent years has ranged from 1-4%.

3.2 Chart: Core Operating Revenue (Source) Trends



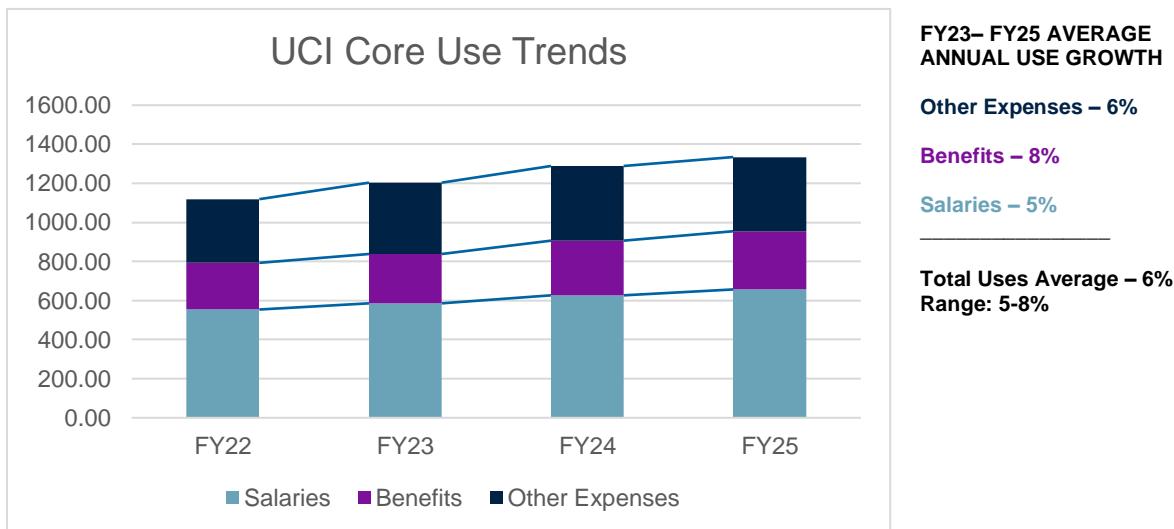
Source: Campus Multi-Year Forecast

Uses. Uses are the annual operating expenses funded by university resources. Salaries and benefits together account for 70% of the core funds operating budget. Salary costs are impacted by the annual salary plan set by the UC Office of the President, labor contracts, merit and promotion adjustments for faculty, and the size of the employee population. Benefits are assessed as a percent of salary, increasing in conjunction with salary growth. Additionally, benefit costs are also impacted by rising healthcare costs and increased contributions to the retirement plan, such that benefits costs as a percent of salary tend to be higher each year, as seen in the resulting changes to campus [composite benefit rates](#).

In recent years, other expenses (unrelated to salaries and benefits) have also been impacted by inflation and other cost pressures. Utilities, supplies and materials, and service costs have all been notably impacted. Added physical space requires resources for maintenance and operations. Further, increased compliance requirements associated with new policies and legislation (without additional funding) have presented consistent challenges.

Below is a chart outlining financial trends for the various use categories in UCI’s core operating budget. The growth in core fund uses in recent years has ranged from 5-8%.

3.3 Chart: Core Operating Expense (Use) Trends



Source: Campus Multi-Year Forecast

The two charts in this section show that the growth in core sources of 1-4% is consistently being outpaced by the growth in uses of 5-8%. These trends are the primary factors contributing to the structural deficit. The resulting funding gap and progress toward resolving it is discussed in section 7 - Core Financial Forecast and Stability Plan Update.

4 Areas of Financial Strength

The financial picture for the UC Irvine campus includes many operations that are performing extremely well.

UCI Health and funding related to the health enterprise is a strong element of the UCI financial story. In 2023-24 UC Irvine opened the Joe C. Wen Family Center for Advanced Care at the North Campus medical complex. UCI also acquired four new hospitals, representing a transformative opportunity to extend the presence and impact of UC Irvine Health in the Orange County community. The **clinical revenues¹ and health services/support²** that are shown on the pie chart (section 2.1) represent funds flow from the health enterprise to the campus, contributing significantly to academic and support functions across the main campus, including the UCI School of Medicine.

Grants & Contracts income continues to grow, again surpassing the highest award level in UCI history with \$668 million during 2023-24. This amount is largely comprised of funds used to pay faculty, staff and student researchers, purchase equipment and supplies, and operate labs. These activities are one way the university contributes to generating new knowledge and making the world a better place. Contract and grant expenses also generate indirect cost recovery resources that help to cover campus indirect costs associated with research that

¹ Clinical revenues are payments related to professional services being provided by professors and clinical faculty in the School of Medicine and other areas of the College of Health Sciences. They represent over \$500M of the \$602M in clinical revenues and educational activities shown in chart 2.1.

² Health services/support represents funds flow from the clinical health enterprise to the campus.

cannot be directly charged to awards (e.g., administration, accounting, department support, maintenance, utilities, buildings).

Auxiliary services like housing, dining, and parking experienced difficulties during the pandemic, but have since recovered. Such activities are self-supporting and operate with an emphasis on minimizing cost increases and maintaining the quality of services to our students and community.

Gifts and endowments from fundraising efforts have been extremely successful, achieving 95% of the \$2 billion Brilliant Future campaign goal through June 2024. Although this success is not evident from the 2% slice of the pie chart on page 3, note that many gifts and endowments that are received are not represented in the operating budget depicted. Gift and endowment³ funds that remain at the UCI Foundation or are managed by the Office of the President Investment Office, and those received in support of capital projects, like new buildings, are reflected in the financials of those respective entities or are in the capital budget rather than in the operating budget picture of UC Irvine finances. The gift funds shown here reflect the gift and endowment earnings available to spend on regular operations and initiatives.

5 Budget Model/Framework in 2024-2025 and Beyond

2024-2025 Budget. Budget planning for academic units (i.e., schools) was conducted in the context of a draft mission-based budget framework to determine each unit's share of resources. On average, school budgets increased 2.3%. However, the specific distribution to each unit was based on student metrics for shares of tuition and fees; on personnel factors for state and other unrestricted resources, as well as an instruction supplement; on research productivity for indirect cost recovery; a direct allocation of restricted and designated funds; and a subvention factor to minimize the impact of the change to any unit to no more than +/- 4%. Support units received a 2% base budget increase in core funds managed by the campus. All units completed their planning using multi-year projections across all available fund sources.

2025-2026 Budget Model. Refinements to the budget framework are expected, and this is an ongoing process. Looking ahead to 2025-26 (FY26), the academic unit budget framework will be updated to reflect feedback gathered through the consultation and budget development process from spring 2024 through summer 2024. The revised framework for academic units will be refined in fall 2024. At that point, it will be referred to as the new campus **budget model** for resource planning in schools.

Administrative Units. The budget model for support units (i.e., academic support and institutional support operations) will be developed over the next two years. A deep-dive analysis will be conducted over the next year and a half. The purpose will be to evaluate existing budgets; understand resource deployment, strategic priorities, and action plans to balance essential needs with available resources; and identify opportunities for efficiencies or needs for additional investment. The analysis will also include identification of key performance metrics

³ Gifts and endowments from donors are paid to either the UC Regents or the UCI Foundation, which is a separate nonprofit 501(c)(3) corporation. Current fund gifts to the UC Regents are in the financials represented here and endowment corpus balances are managed by the UCOP general endowment pool and only the quarterly earnings are reflected in campus financials. Gifts and endowment earnings managed by the UCI Foundation are reflected in campus financials when the funds are transferred from the UCI Foundation to a campus account.

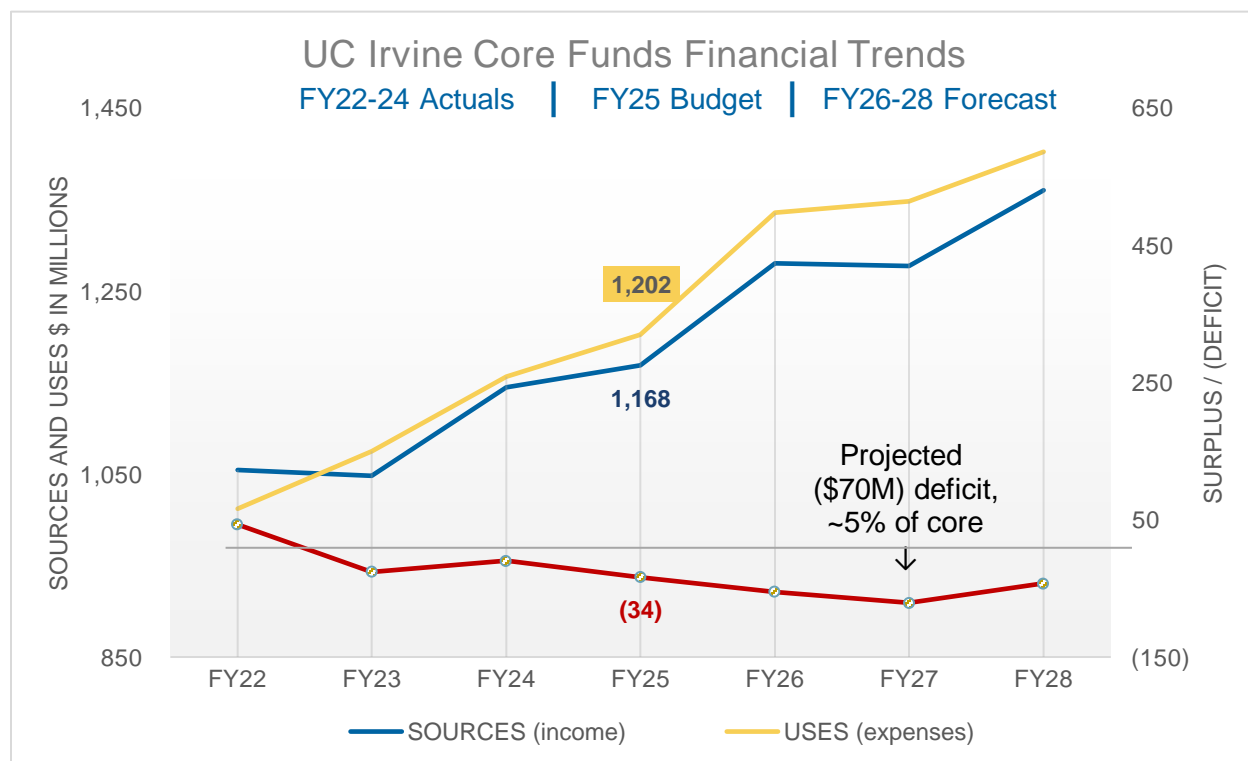
and collection of benchmarking data as available to evaluate efficiency and effectiveness of operations. Full implementation of the new model is expected to be complete with the start of fiscal year 2026-27. In the meantime, support units will continue to conduct all-funds, multi-year planning and will be informed about the scale of anticipated new sources to use for planning projections at the time of the budget submission process.

Budgeting within Units. Note that the budget model is an allocation methodology specific to core campus resources and how they are distributed from the central campus to schools and divisions. Allocations from each school/division to individual departments are independent of the campus budget model and should reflect school/division level priorities, goals, and cost structures to account for intentional investments and resource deployment that reflects differing needs from one discipline or department to the next.

6 Core Financial Forecast and Financial Stability Plan Update

In 2022, UC Irvine began work on a financial stability plan in response to a projected funding shortfall and a persistent trend of expenses growing faster than new revenues (sources). The current multi-year forecast below illustrates financial actuals for FY22-FY24, the approved budget for FY25, and forecasts for FY26-FY28. The same view is also shown in the executive summary and the Budget Office [Financial Stability Plan webpage](#). This depiction of projected resource and expenditure trends is based on information available in early fall 2024, including continuation of some of the disparities discussed in section 4.

6.1 Chart: UC Irvine Core Funds Financial Trends



Source: Campus Multi-Year Forecast

It is important to note that the forecast above does not represent our expected outcome. It assumes no additional measures are taken beyond existing plans to close the remaining gap. This approach helps demonstrate the scale of the outstanding challenges. Progress to-date and action plans to close the gap are addressed later in this section. Financial stability plan efforts and strategies will continue until the funding gap is resolved.

Assumptions included in the forecast related to sources:

- state funds will be subject to a net cut of 6.2% in FY26 (this is an estimate based on information available in summer/fall 2024),
- tuition rates for incoming cohorts will increase in line with the consumer price index,
- non-resident supplemental tuition will increase at a greater rate to help offset some of the state cut (subject to approval by the UC Regents),
- undergraduate enrollment will grow slightly but remain mostly flat,
- graduate enrollments to self-supporting professional degree programs will grow,
- doctoral enrollments are expected to decline overall, but may increase in some disciplines (e.g., related to growth in grant and contract funding),
- indirect cost recovery from grants and contracts will continue to grow, reflecting the continued success at expanding research awards and impact, and
- general and administrative assessment resources will increase in proportion with the expansion of the health enterprise.

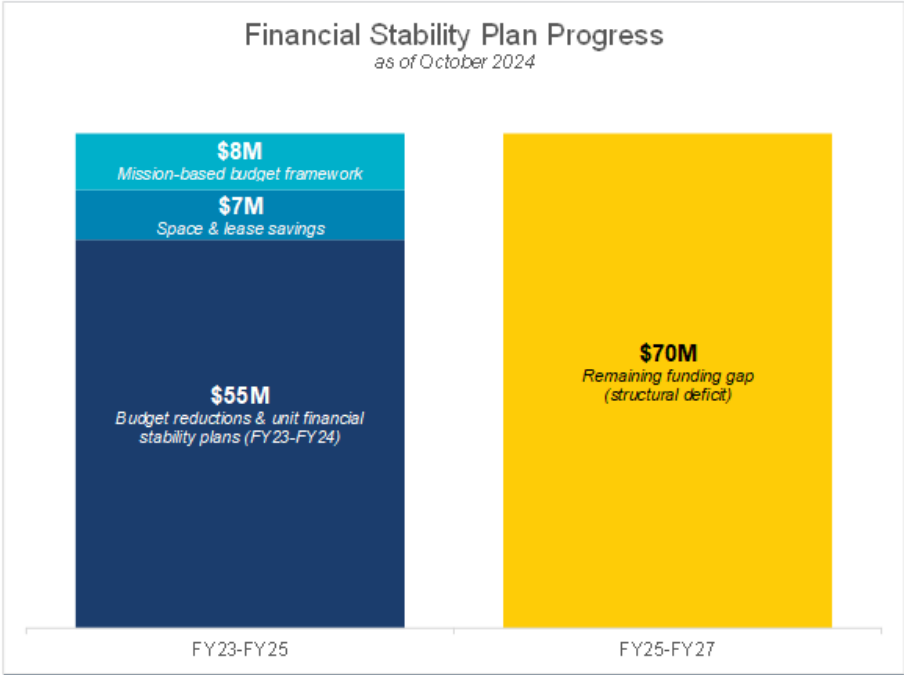
Expenditure assumptions include the following:

- salary increases become more modest at an estimated 5% growth in FY25 and 4.5% thereafter,
- benefits costs are projected to increase 7% in FY25 and 5.5% in later years, and
- non-payroll cost increases range from 2-4%.

The remaining funding gap is estimated at \$70 million in FY27, or 5% of the core funds budget.

The chart below shows progress toward closing the funding gap (blue section on the left), while also showing that new challenges such as the anticipated state budget cut are hampering efforts to shrink the remaining gap (yellow section on the right). The campus has made steady progress toward closing the gap, which is a testament to the hard work and achievements of the campus community to identify new sources, leverage non-core resources, and achieve efficiencies. Units are meeting respective stability plan goals through a variety of means, including not filling vacant faculty and staff positions, increasing revenue where possible, reducing programs and services where possible, leveraging existing non-core resources, and reducing other operating costs.

6.2 Chart: Stability Plan Progress



The implementation of the new budget framework, in which allocations to units are based on available revenues, will provide greater financial stability moving forward. A portion of the funding gap will be covered by new revenues each year. This resource planning approach is a notable change from the prior incremental budget model that automatically funded salary and related benefits cost increases on most core funds, even if funding was not available. With the new model, the funding challenges and the steps needed to achieve a stable financial structure are also much more transparent. Allocations to individual units mirror what is happening at the campus and systemwide level – funds may continue to fall short of the full cost of expenditure increases. We are hopeful that the economic and political factors will improve, but until they do, such dynamics are an ongoing challenge. To help units understand and adjust their plans accordingly, the campus is conducting resource planning using an all-funds, multi-year planning approach which improves the information and tools available. Such a structure enables scenario planning, risk assessment, and sensitivity analysis to better support decision making and planning efforts.

7 FY25 Budget Detail by Organization Groups

Table 7.1 below is a more detailed version of the FY25 budget, depicting a breakdown by schools, support units, and central organizations⁴. The budget detail represents the fully approved budget for anticipated core sources, which include campus allocations to units. For

⁴ Central organizations are a part of the organizational hierarchy used to track activity such as undergraduate and graduate financial aid, student loans, capital projects, accounting entries to meet Governmental Accounting Standards Board (GASB) reporting requirements, campus-wide revenues, and campus-wide expense obligations like debt and insurance payments.

uses, it represents the consolidated expense forecasts submitted by units with their budget submissions. These were preliminary estimates before receiving final allocations, so it is expected that units are adjusting their spending plans as needed to reflect final allocations.

Additionally, a common occurrence when introducing a new all-funds, multi-year planning structure is that unit revenues tend to be underestimated, and expenses tend to be overestimated. As a result, when unit budgets are consolidated, the projected core funds source budget is \$1.168 million, the uses spending plan is \$1.23 billion, and the budgeted deficit is \$62M for FY25. However, based on campus-level financial planning and forecasting, the projected deficit is \$34M for FY25 as shown in the executive summary. The latter is considered more likely based on the tendencies just described. This means that many of the school- and support-unit plans consolidated below are expected to realize more sources and fewer uses than shown. As shown on the executive summary chart 1.1, the campus is not expecting to spend into reserves as much as implied by the consolidated budget picture detailed below.

It is expected that multi-year planning will become more sophisticated and will result in smaller variances from actuals as individual units become more proficient at budgeting and multi-year planning.

7.1 Table: FY25 by Organization Groups - Approved Sources & Unit Estimates of Uses

UCI FY25 Budget Plan by Organization Groups

	Schools	Support Units	Central Orgs	Total UCI
CORE CAMPUS SUPPORT				
Sources				
Allocations	624,780,671	404,430,454	(1,029,211,125)	0
Income, Transfers, Recharge	36,785,701	31,173,211	1,100,427,636	1,168,386,548
Total Sources	661,566,373	435,603,665	71,216,511	1,168,386,549
Uses				
Salaries & Benefits	612,708,399	328,515,126	27,867,050	969,090,575
Other Oper. Exp	76,318,903	131,311,320	53,541,302	261,171,525
Total Uses	689,027,301	459,826,446	81,408,353	1,230,262,100
Net Surplus/(Deficit)	(27,460,929)	(24,222,781)	(10,191,842)	(61,875,551)
NON-CORE SUMMARY				
Non-Core Sources	1,478,851,378	551,001,910	96,335,081	2,126,188,369
Non-Core Uses	1,461,849,437	570,660,577	70,540,704	2,103,050,718
Non-Core Net Surplus/(Deficit)	17,001,941	(19,658,667)	25,794,377	23,137,651
ALL FUNDS (CORE + NON-CORE)				
Total Sources	2,140,417,750	986,605,575	167,551,592	3,294,574,917
Total Uses	2,150,876,738	1,030,487,023	151,949,057	3,333,312,818
All Funds Net Surplus/(Deficit)	(10,458,988)	(43,881,448)	15,602,535	(38,737,901)

Source: FY25 Approved Core Funds Budget

8 Conclusion

The overall financial picture for UC Irvine includes areas of notable growth and progress toward strategic goals such as contracts and grants, gifts, and the health enterprise. It also includes continued pressures on core funded operations. The current forecast estimates a structural funding gap in core funds growing to \$70M in FY27. Strategies to address the structural gap include unit-level financial stability plans, implementation of a new budget model over several years, all funds multi-year financial stability planning, review of services and operations to identify cost savings, and optimization of new revenue opportunities.